2019 Sustainability Report

Helping to build a more sustainable food system
Helping To Build A More Sustainable Food System

Over the years, the global food system has brought nutrition, economic opportunity, convenience, and enjoyment. Today, however, the global impacts of climate change, soil erosion, water scarcity, and population growth bring challenges that threaten its ability to meet our needs. The food system is in urgent need of transformation.

Only 14% of plastic packaging is recycled for future use.

1/3 of greenhouse gas emissions originate in the food system.

70% of the world's fresh water use is in agriculture alone.

Our Opportunity To Lead Positive Change

At PepsiCo, we believe that there is an opportunity to change how the world produces, distributes, consumes, and disposes of foods and beverages in order to tackle the shared challenges we face.

We aim to use our scale, reach, and expertise to help build a more sustainable food system; one that can meet human needs for nutrition and enjoyment, and continue to drive economic and social development, without exceeding the natural boundaries of the planet.

As well as being good for our business, working to realize this purpose is also the right thing to do. Where our food system may be operating in an unsustainable way, it can create supply chain, operational, and financial risks for our company. By contrast, addressing risks within our value chain and the wider food system effectively can create new opportunities for competitive advantage and future market growth, while also supporting the communities in which we operate.

PepsiCo’s sustainability agenda focuses on six overlapping priorities within our food system. Our priorities meet three important criteria: They relate to the most pressing sustainability challenges, risks, and opportunities facing PepsiCo and our food system; they matter most to PepsiCo’s key external stakeholders; and they offer the opportunity for PepsiCo to make a positive difference at a systemic level, within and beyond our own value chain.

Highlights

Video

Learn more about the progress PepsiCo is making to help build a more sustainable food system.

View the video.
Our Sustainability Journey

In 2006, PepsiCo started on a journey to transform the way we do business so that we can deliver strong financial returns in a way that is responsive to the needs of the world around us. Our fundamental belief is that the success of our company is inextricably linked to the sustainability of the world around us, and each year we continue to make valuable progress.

- PepsiCo launches “Performance with Purpose” integrating sustainability into daily business operations.
- PepsiCo’s first demonstration farm opens in India. In 2020, over 230 farms around the world are testing and sharing best practices.
- PepsiCo signs the UN Global Compact Business Ambition for 1.5°C pledge.
- PepsiCo wins prestigious Climate Leadership Award.
- PepsiCo wins the company’s first-ever Green Bond, proceeds from the U.S. $1 billion offering will fund key sustainability initiatives.
- Launch of “All in Recycling,” the largest ever industry-wide residential recycling challenge, which raises over $25 million in matching funds and catalyzes $100 million in investment.
- PepsiCo exceeds safe water access goal 5 years ahead of schedule, delivering safe water access to 44 million people in underserved communities since 2006 and set an ambitious new target to deliver safe water access to 100 million people by 2030.
Climate change, water scarcity, soil erosion, and packaging waste are growing threats to our global food system. These challenges are pushing the planet's boundaries and straining the world's ability to meet the needs of a growing population. Across our value chain, PepsiCo is using our global reach and expertise to drive solutions at scale, working with our peers, governments, non-governmental organizations (NGOs), and individuals around the world.

Our Global Scale

- **Products enjoyed**: 1 billion+ times each day
- **200+ countries and territories**
- **260,000+ associates worldwide**
- **23 billion-dollar brands***
- **$67 billion net revenue in 2019**
- **Support 100,000+ jobs in and throughout our agricultural supply chain**

*23 brands that generate more than $1 billion each in estimated annual retail sales*
Our Value Chain

Our sustainability strategy targets every stage of our complex value chain. We’re working to use resources more efficiently, reduce greenhouse gas (GHG) emissions, replenish water, improve the nutritional profile of our products, and recapture packaging materials.

PepsiCo sources crops from 60 countries and supports more than 100,000 jobs in and throughout our agricultural supply chain. The standards we apply and promote have a significant impact on the environmental, social, and economic health of agricultural communities around the world.

Across our manufacturing facilities around the world, we bring together innovators and operations teams who work to use water, energy, and ingredients efficiently to create our foods and beverages.

PepsiCo products are distributed in over 200 countries and territories. We’re reducing GHG emissions with carbon-efficient delivery trucks and programs that improve fleet efficiency.

PepsiCo products are enjoyed by consumers more than 1 billion times a day. We’re responding to changing consumer preferences by transforming our product portfolio and reformulating many of our foods and beverages to reduce added sugars, sodium, and saturated fat.

PepsiCo’s sustainable plastics vision is to help build a world where plastics need never become waste by driving the shift from a linear solution to a circular economy for packaging.
A message from our CEO, Ramon Laguarta

The past few months have been among the most challenging in recent memory.

COVID-19 has profoundly transformed how we work, parent, shop, learn, and socialize. It has caused unfathomable grief and taxed our social infrastructure like nothing before, revealing hidden societal pain points, reopening old wounds, and creating fresh ones.

At PepsiCo, we have been working with our Foundation to offer immediate community relief where we can. That includes donating more than $60 million to support people impacted by COVID-19, providing 50 million meals, protective gear for healthcare workers, and other vital resources.

But we know that systemic problems require systemic solutions, and the pandemic has brought into sharp focus the larger need to address our long-term sustainability challenges. It is clearer than ever that organizations like PepsiCo and our partners need to take bold steps to catalyze positive change and bring about a stronger, more sustainable future for us all.

Over the last few years, we’ve made important progress toward this goal. We reoriented our company around a new mission— to Create More Smiles with Every Sip and Every Bite, with a focus on bringing smiles to our consumers, customers, associates and communities, the planet, and shareholders— and a new vision— to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose.
We also set three lofty aspirations that will help us achieve these goals: becoming Faster by winning in the marketplace; Stronger by transforming our capabilities, cost, and culture; and Better by integrating purpose into our business strategy and brands, whilst doing even more for our planet and people.

As part of our efforts to become Better, we were proud to sign the Business Roundtable’s 2019 Statement on the Purpose of a Corporation. This standard for corporate responsibility aligns with our existing values and strategy to lead the company for the benefit of all of our stakeholders.

But we know that being a Better company is about more than words. It’s about doing the most good for the most people. That’s why we are focused on using our scale and expertise as one of the world’s leading food and beverage companies to tackle the long-term challenges facing the global food system.

Even before the COVID-19 pandemic, the food system was under tremendous stress.

Around the world, topsoil is degrading, packaging waste is piling up, more regions are experiencing water scarcity, and climate change is dangerously accelerating. These pressures threaten the long-term ability to feed a growing global population.

PepsiCo has not only an opportunity, but a responsibility to use our scale and reach to help build a more sustainable food system—one that can provide nutrition and enjoyment, and drive economic growth and social development, while protecting and restoring the planet.

To do so, we’re transforming our business in fundamental ways, including how we grow our food, make our products, and inspire positive change in our communities.

**We are aiming to grow our food in a way that regenerates land, ecosystems, and farming communities.**

That means making agriculture more intelligent, inclusive, and gentler on the earth:

- We continue to expand our Sustainable Farming Program (SFP)—reaching more than 40,000 farmers around the world with training on sustainable farming practices like field agronomy, efficient fertilizer- and water-use, plant protection techniques, and respect for workers’ rights.

- We’ve set up a global network of Demonstration Farms—more than 230 farms across nine countries—with a focus on teaching farmers how to increase yields, whilst minimizing their environmental footprint and enabling impactful peer-to-peer learning with neighboring farms outside of our supply chain.

- We’re advancing diversity and respect for [human rights](#). For example, we are empowering female farmers in India through our collaboration with the US Agency for International Development (USAID) to help make agriculture more inclusive and productive.

**We are aiming to make our products in a way that is circular and minimizes waste.**

That means replenishing the water we use locally, using water more efficiently, and helping ensure water security:

- In 2019, PepsiCo locally replenished more than 1.6 billion liters of water through watershed conservation projects in high water-risk areas around the world.

- We joined the Alliance for Water Stewardship (AWS) with the aim to adopt the AWS’s globally recognized best practice in water stewardship across our high water-risk facilities and have completed four pilots around the world.

- We’ve delivered safe water access to more than 44 million people in underserved communities since 2006, far surpassing our goal of 25 million people by 2025. We are now setting a new goal to reach 100 million people by 2030.

**We’re also accelerating our efforts to reduce greenhouse gas emissions throughout our value chain:**

- In April, we signed the [UN’s Business Ambition for 1.5°C](#), reinforcing our commitment to science-based targets and more aggressive climate action.

- We announced that we are shifting to 100% renewable electricity through a range of solutions for direct operations in our largest market, the United States, building on progress we’ve made elsewhere around the world.

- We continue working to limit emissions from our fleet of vehicles. Compressed natural gas vehicles represent about 46% of Frito-Lay North America’s long-haul inventory, and over the life of our EV fleet, we will have driven 12 million all-electric miles.

- And our ‘Sustainable from the Start’ program is providing our teams with tools to consider the environmental impact of their decisions throughout the innovation process, including an estimate of the carbon and water footprints of a product and the recyclability of its packaging.
We continue to drive progress toward a world where plastics need never become waste by focusing on reducing, recycling, and reinventing packaging:

- In 2019, we announced our goal to reduce our virgin plastic content across our beverage business by 35% by 2025. We are also working to make 100% of our packaging recyclable, compostable, or biodegradable by 2025—we are about 90% complete.

- Through innovation and partnerships, we’re reinventing packaging. We’ve piloted plant-based, compostable packaging for brands like Lay’s Artesanas in Chile, which has made environmental sustainability a core part of its value proposition. In addition to being compostable, these bags are primarily made from renewable, plant-based materials and use less energy to produce—reducing their carbon footprint by 60%.

- Between 2018 and early 2020, PepsiCo and The PepsiCo Foundation have pledged more than $65 million globally to advance recycling and collection.

Finally, we are aiming to inspire consumers and communities to make better choices and enable positive change.

That means delivering a portfolio of options that minimize the use of single-use plastics, while still meeting consumers’ individual needs, whether they’re at home, away from home, or on-the-go:

- SodaStream, the #1 sparkling water brand in the world by volume,1 is changing consumer behavior, and we estimate expansion of the business will avoid 67 billion single-use plastic bottles by 2025.

- We’re rolling out new water stations that allow consumers to customize still or sparkling water with a range of flavors, along with a QR code for reusable bottles and an app that remembers your preferences, lets you set hydration goals, and automatically tracks your water consumption.

- We’re also continuing to integrate purpose into our brands, using our scale to inspire and lift up people and communities:

  - LifeWTR is using its bottles as canvases to highlight emerging artists and designers around the world and working with organizations like Scholastic to provide art supplies to communities that don’t have art classes in school. LifeWTR bottles will be made from 100% rPET starting in 2020.

  - We launched the Stacy’s Rise Project, which provides $10,000 grants and business support to women entrepreneurs in the food and beverage space. This year, we expanded the Project from five entrepreneurs to 15.

  - In the U.S. and Latin America, Doritos Rainbow has partnered with the It Gets Better Project to celebrate and support the LGBTQ community.

At the same time, we continue improving choices across our portfolio:

- We are reducing added sugars, sodium, and saturated fats in certain products and expanding our offering of products like baked chips, which have 65% less fat than regular chips, as well as zero- and low-sugar beverages. Today, you can find Lay’s Oven Baked in 23 markets around the world and Pepsi Zero Sugar has expanded into 95 markets.

- We’re also broadening our portfolio of options by acquiring new brands that help meet consumers’ needs as part of a balanced diet, including Pioneer Foods, BFY Brands (the maker of PopCorners), Cytosport (the maker of Muscle Milk), and Bare.

We’ve laid out an ambitious agenda, focusing on the areas where we believe we can have the most impact. While we’ve made great progress, we know there’s even more to be done and that we can’t do it alone. Partnership is more important than ever before, and we’ll continue to work with our peers, governments, NGOs, and the communities where we operate, leveraging all the tools at our disposal to advance progress. We also issued our first “Green Bond” in 2019, generating nearly $1 billion to fund key sustainability initiatives.

With the help of partners and the leadership of our first-ever Chief Sustainability Officer, Simon Lowden, we will look to build on the tremendous progress we’ve made and double down on our efforts in the months and years ahead. We know that the success of our company and the prosperity of our societies go hand in hand. Only by working together can we emerge from the current crisis stronger than before, less vulnerable to future shocks, with more resilient communities, a more sustainable food system, and a brighter future for all.

Ramon Laguarta
PepsiCo Chairman of the Board of Directors and Chief Executive Officer

June 2020

Our Focus Areas & Key Highlights

Our strategy for building a more sustainable food system focuses on six priority areas. These address the most pressing challenges facing the food system and offer the most opportunity for PepsiCo to use our global scale to make a positive impact at a systemic level:

- Nearly **80% of our potatoes, whole corn, oats, and oranges are sustainably sourced**, progress toward our goal of 100% by 2020.
- We delivered **safe water access to more than 44 million people** in underserved communities since 2006, and set a **new target to reach 100 million people by 2030**.
- In 2019, we set a new target to **reduce 35% of virgin plastic content** across our beverage portfolio by 2025.
- As of 2019, **47% of our beverage portfolio volume in our top 26 beverage markets met our 2025 added sugar reduction target**, progress toward our goal of 67%.
- We reduced absolute GHG emissions by **6% across our value chain in 2019**, progress toward our goal of 20% by 2030.
- Since 2016, we’ve invested **$38.5 million to support initiatives that provide women with essential resources** for workforce readiness and programs that support women in the food system and farming.
Our CSO’s Perspective

“From the way we grow our crops to the transport of our products and the coolers that display our brands, PepsiCo has already made significant progress in reducing greenhouse gas emissions throughout our value chain — but we know tackling climate change will require even more, and we can’t lose sight of that.”

Simon Lowden
Chief Sustainability Officer

What are some of your observations in your first year as PepsiCo's Chief Sustainability Officer?

The world is facing some big challenges, but one thing that encourages me is the collaboration on sustainability across the CPG industry and the business community more generally. When it comes to sustainability, it’s about collective action and making progress that’s essential to the future of our businesses and planet. The business community is stepping up and setting ambitious targets that we all know will require partnership, and there is genuine excitement about driving change together. What is critical now is that these plans are followed up with concrete actions ... and we at PepsiCo will make sure we do.

Since taking on this role, I have also been bowled over by the passion PepsiCo associates have for sustainability. We have a lot of energy from both the top down and bottom up, showing dedicated leadership to do our part in helping to build a more sustainable food system. That’s the kind of energy we need to drive positive change.

How do PepsiCo’s brands fit into the company’s sustainability strategy?

We’re going to make supporting the communities and issues that matter most to both our consumers and our planet a priority for our brands.

PepsiCo's brands are enjoyed by consumers more than a billion times a day — they’re powerful drivers of culture with enormous global reach. There is responsibility and opportunity that comes with that. As we continue to accelerate efforts across our business toward a more sustainable future, harnessing brand purpose has the power to inspire consumers and bring about positive change.

So, in addition to manufacturing our products in a responsible way and investing in programs that help new products be sustainable from the start, we’re also developing brand propositions that inspire, make life more enjoyable, restore and care for our planet, and help communities thrive. The scale and reach of our brands have the power to be a real force for good.

With urgent calls for climate action rising, how is PepsiCo thinking about climate change?

There’s no question that climate change is one of the defining issues of our day. In some ways the current pandemic is shining a spotlight on some vital truths,
like the importance of heeding the advice of experts and following the science, as well as what can be accomplished when the global community rallies behind a critical issue. Global emissions have fallen significantly because of sheltering in place, revealing clean air and visible horizons for the first time in decades in some of the most polluted parts of the world, which also reminds us the direct impact our actions have on the planet.

But even before COVID-19, the threat of climate change has demanded faster and bolder action from all of us. The resilience of our food system and the future of our planet depends on it. It’s why earlier this year we announced that we’re shifting to 100% renewable electricity for direct operations in our biggest market, the U.S., which builds on progress we’ve made globally, including nine countries in our European operations that already meet all electricity needs from renewable sources. It’s also why we recently signed the Business Ambition for 1.5°C pledge, committing to reduce our emissions in line with limiting global warming to 1.5°C, while also developing a long-term strategy for achieving net-zero emissions by 2050.

From the way we grow our crops to the transport of our products and the coolers that display our brands, PepsiCo has already made significant progress in reducing greenhouse gas emissions throughout our value chain—but we know tackling climate change will require even more, and we can’t lose sight of that.

**How are you thinking about the future of agriculture, as part of PepsiCo’s sustainability agenda?**

About 70 percent of the world’s fresh water use, and roughly a quarter of global greenhouse gas emissions, comes from agriculture alone. Transforming agriculture to support the growth of a more sustainable food system is vital, and we’re in a position to help catalyze systemic change.

Agriculture is the foundation of PepsiCo’s business—we use more than 25 crops sourced from across 60 countries to make our foods and beverages. So, our scale and reach means that the practices we use, and the standards we apply, can have significant influence and impact.

Through our Sustainable Farming Program, we work with more than 40,000 farmers around the world providing training and techniques like efficient fertilizer- and water-use, helping them increase productivity and resiliency, as well as support for workers’ rights. And on our more than 230 Demonstration Farms, we’re testing and measuring local techniques and solutions, and then hosting Innovation Days for peer-to-peer learning with neighboring farmers. That best-practice sharing enables a ripple effect for wider adoption of sustainable practices, as well as improved livelihoods. I see a lot more potential in this area.

Additionally, through regenerative agriculture practices—like introducing cover crops—we can actually sequester carbon into the soil, improving the climate impact of the farm while also increasing soil fertility and supporting biodiversity.

So sustainable agriculture is absolutely a big part of our agenda, and key to making progress toward our ambitious goals. I’m really proud of the great work our teams are doing in this area and see a lot of opportunity for us to have a big impact.
Facing the Challenge of Water Insecurity

As the world faces an unprecedented global pandemic, we are seeing clearer than ever the importance of access to clean water. According to the World Health Organization, access to clean water for sanitation and hygiene could prevent at least 9% of global disease and 6% of all deaths. Yet, water insecurity is growing throughout the world, and more and more people are living in areas with chronic water shortages.

Climate change and increasingly unpredictable weather patterns are making droughts and floods more severe, and population growth is accelerating this trend. Nearly two-thirds of the world’s population currently experience water insecurity at least one month a year and it’s likely that, by 2040, one quarter of the world’s children will live in water-stressed regions. Water shortages threaten community health, diminish hygiene and lead to disease, famine, migration, and violence. In farming communities, water scarcity can leave lands too arid to farm and decrease crop yields, threatening food supply.

Striving for Impact at the Local Watershed Level

As a food and beverage company, PepsiCo is acutely aware of the critical role water plays in the food system. Our water strategy is designed to enable long-term, sustainable water security for our business and for local communities that depend on an accessible and reliable supply of clean, safe water. We are focused on improving agricultural and operational water-use efficiency, local replenishment in high water-risk areas, public education, advocacy for smart water policies and regulations, and adoption of best practices with key partners in the community. We work to understand the water challenges at a local level and support solutions that address the specific needs of the watershed.

Learn more about PepsiCo’s comprehensive approach to water
Progress Highlights

Locally replenished over 1.6 billion liters of water in high water-risk areas in 2019.

Delivered safe water access to 44 million+ people in underserved communities since 2006.

Operational water-use efficiency improved by 9% in high water-risk areas since 2015.

Stakeholder Perspective:

“PepsiCo has used its voice and network to highlight the need for long-term, strategic collaboration among business, government, and civil society to achieve water security. It has challenged its traditional approaches and operating models to make 2030 WRG possible.”

Karin Krchnak
Program Manager
2030 Water Resources Group (WRG)

In this discussion, PepsiCo Vice President of Global Sustainability Roberta Barbieri and Karin Krchnak of 2030 WRG discuss the importance of partnership and community-led system thinking in solving the water challenges facing our planet.

For interview with 2030 WRG Program Manager Karin Krchnak, click here.

See our water goals & progress
Impact Stories

EXCEEDING OUR SAFE WATER ACCESS GOAL

Since 2006, The PepsiCo Foundation has helped more than 44 million people gain access to safe water through distribution, purification, and conservation programs, far surpassing the company’s original target to help 25 million people by 2025.

Over the years, The PepsiCo Foundation has invested more than $46 million as a founding partner or early investor in programs with WaterAid, Water.org, Safe Water Network, Inter-American Development Bank (IDB), 2030 Water Resources Group (WRG), the Columbia Water Center, and the China Women’s Development Foundation (CWDF). The investments helped catalyze nearly $700 million in additional funding from other donors, government organizations, and multilateral agencies.

Recognizing the increase in worldwide water risk due to climate change, as well as the essential connection of safe water to health, PepsiCo has set an ambitious new target: helping to expand safe water access to 100 million people by 2030 with an immediate-term focus on supporting water distribution, sanitation, and hygiene practices.

Localizing Safe Water Access to Meet Community Needs

Recognizing that access to water is a human right, PepsiCo’s safe water access work focuses on distribution, purification, and conservation programs in support of the UN’s Sustainable Development Goal #6: Ensure the availability and sustainable management of clean water and sanitation for all.

Increasing Access to Handwashing with WaterAid in Pakistan and India

Bringing Safe Water to Remote Communities in Latin America

Providing Safe Water Access to Farming Communities in India

Cleaning Up “Small Water Sources” in China

Supporting Groundwater Purification in Ghana and India
Localizing Safe Water Access To Meet Community Needs

Increasing Access to Handwashing with WaterAid in Pakistan and India

The PepsiCo Foundation is working with WaterAid to increase access to safe water, sanitation, and hygiene in water-stressed communities in India and Pakistan. In Pakistan, we have reached over 15,000 people through a combination of hygiene workshops and COVID-19 education through media. We have also provided strategic handwashing stations and hygiene education to schools, community organizations, and people in their homes across 18 communities in southern India.

Providing Safe Water Access to Farming Communities in India

In early 2020, as part of our focus on extending access programs to our agricultural supply chain in support of farmers and their families, The PepsiCo Foundation invested $3 million with WaterAid to help communities in India facing urgent water crises. The program aims to provide 200,000 people with access to piped water supply for household and farm use, as well as increased water accessibility.

Cleaning Up “Small Water Sources” in China

The PepsiCo Foundation worked with the China Women’s Development Foundation to train 200,000 residents near the Danjiangkou Water Reservoir in conservation and environmental protection techniques. This program will help to ensure a long-term supply of clean water for 10 million people by 2025.

Bringing Safe Water to Remote Communities in Latin America

The PepsiCo Foundation partnered with Inter-American Development Bank (IDB) on a program to install water pumps and delivery pipes in difficult-to-reach rural and dispersed communities in Latin America. Water infrastructure for these communities has historically lagged behind that of urban areas. This program helped provide access to clean water and sanitation for more than 778,000 people in Peru, Mexico, Colombia, and Honduras. We’re also working with IDB on a project called HydroBID, which uses predictive modelling based on climate change data and the competing needs of end-users to estimate freshwater availability. This innovative conservation program has increased the reliability of water access for more than 15 million people in nine countries.

Supporting Groundwater Purification in Ghana and India

In Ghana and India, local water sources often contain dangerous levels of contaminants that can cause debilitating illnesses. The PepsiCo Foundation partnered with Safe Water Network to pilot and expand support for “small water enterprises”—self-sustaining water delivery solutions that purify local groundwater. The programs have helped provide convenient, affordable, and reliable access to safe water to more than 1.5 million people since the partnership began in 2008.
IMPROVING AGRICULTURAL WATER-USE EFFICIENCY IN INDIA

Every region where we work has its own unique geography and, in turn, challenges. To have the greatest impact, we tailor water-use strategies to meet each farmer’s unique circumstances and needs.

In India, PepsiCo is working with smallholder farmers to encourage drip irrigation. In the Indian state of Maharashtra alone, approximately 95% of the land used to grow our potatoes uses micro-irrigation practices, such as drip irrigation and precision sprinklers. Part of our work is focused on helping farmers identify the strategies that work best for them.

At smallholder farms across India, we’ve been piloting a product called “family drip system,” which is a low-tech, low-cost option based on gravity instead of continuously pumped water. This can help farmers grow more and optimize water efficiency by reducing run-off, leaching, and soil erosion. By using water-efficient agricultural practices across our potato supply chain, we reduced our water footprint in India by more than 1.7 billion liters of water in 2019.
ADOPTING THE ALLIANCE FOR WATER STEWARDSHIP STANDARD

PepsiCo is a member of the Alliance for Water Stewardship (AWS), and we aim to adopt the AWS Standard at all of our high water-risk facilities by 2025.

Adopting the standard is helping us identify and pursue opportunities to be better water stewards at the local level. This includes working with local stakeholders to better understand the unique challenges of the watershed and focusing our efforts on collective action and advocacy to achieve better water governance.

In 2019, we piloted the AWS standard at three manufacturing locations in South Africa, Pakistan, and Mexico, and in 2020, we launched a pilot in the U.S. We are training our Operations, Public Policy and Government Affairs, Environmental, Health and Safety, and Supply Chain associates on local watershed concerns and how PepsiCo can work with local stakeholders to improve conditions for all.

Spotlight on South Africa: Addressing Local Water Challenges with Local Resources

When PepsiCo learned in 2018, that Cape Town, South Africa, might run out of fresh water, we became a founding member of the Greater Cape Town Water Fund (GCTWF), contributing what was, at the time, the organization’s largest financial commitment.

In 2019, PepsiCo launched our AWS South Africa pilot at our Simba Foods manufacturing facility in Cape Town. We are working alongside members of the local community to continually improve water management and ensure a water-secure future for Cape Town.

“Being based in Cape Town, water sustainability has been top of mind for us for some time now. Applying the AWS Standard at our Simba food manufacturing facility has helped bring together our longstanding efforts, including improving our own water footprint through operational efficiency measures and partnering to improve water security for all in the region through the Greater Cape Town Water Fund. The Standard is helping us shape a new way of working towards our end goal of being good water stewards.”

Reoagile Monageng
Plant Manager, PepsiCo Simba Foods Facility
PepsiCo representative on the GCTWF team

“PepsiCo’s leadership in adopting the Alliance for Water Stewardship Standard gives practical and commendable effect to the ‘think global, act local’ mentality, as it brings its considerable global leadership capabilities to act in concert with dynamic local stakeholders in Cape Town.”

Dr. Mark Dent
Alliance for Water Stewardship South African Regional Coordinator and Global Training Development Manager
TRAINING WOMEN-LED TEAMS TO REMOVE WATER-THIRSTY VEGETATION AT HIGH ALTITUDES

Invasive plant species greatly impact South Africa’s Western Cape Water Supply System, sucking up water and reducing the amount that reaches the rivers and dams that feed the region by 55 billion liters per year.

With support from PepsiCo, the Greater Cape Town Water Fund (GCTWF) is removing these species in remote, high-elevation locations that are typically inaccessible, flying in women-led teams by helicopter for ecosystem restoration. We have trained team members in the specialized rope-access skills needed to remove trees in the remote, mountainous terrain. This training and skilled work experience also helps them earn higher wages as “high angle technicians,” improving their livelihoods.

By removing water-thirsty invasive trees, like pine, Cape Town is expected to add two months of water supply to seven sub-catchments that supply 73% of the area’s water. From 2018 to early 2020, almost 863 hectares of invasive plants were cleared and over 350 million liters of water replenished.

PepsiCo’s support of the GCTWF has helped train women-led teams in specialized rope-access skills.

See how The Nature Conservancy is tackling water scarcity at great heights in Greater Cape Town Region

View the video.
OPTIMIZING WATER-USE EFFICIENCY IN OUR OPERATIONS

At our beverage facilities around the world, we use innovative water treatment processes to keep our products safe, our production efficient, and to ensure that we’re delivering the taste and quality our consumers expect. As water resources become further strained around the world, we are constantly looking for ways to make every drop go further. Our North American beverage operations developed and piloted a new water treatment process that has proven to be 8% more water-efficient over the traditional industry baseline.

To improve water-use efficiency while making some of our most iconic drinks, our sustainability engineers in the U.S. reconfigured the water flow and filtration process, rethinking the water treatment sequence in our facilities to enable us to recover more clean water. At the first site where this technology has been fully implemented, the new design has reduced our water footprint by over 40 million liters in 2019, compared to 2017 pre-project performance.

Splash Cone Technology Saves Water in Snacks Manufacturing

In 2019, PepsiCo installed innovative “splash cone” technology at select production facilities in high water-risk areas. The new technology distributes water more efficiently around our potato slicers, enabling a 64% reduction in water use. In 2019, this innovation avoided approximately 62 million liters of water use at these locations. As this technology rolls out across PepsiCo’s global manufacturing operations, it has the potential to reduce water use by over 640 million liters every year—the equivalent of 320 competitive-size swimming pools.
REDUCING OUR WATER FOOTPRINT IN LATIN AMERICA

Around the world, PepsiCo has been implementing different strategies to ensure we continue to operate in a way that is sustainable for the planet, our business, and our shared communities.

Our teams implemented projects aimed at reducing our water footprint in production plants located in water-stressed regions across Latin America and, since 2015, we have reduced the water footprint in our Latin American food plants by an average of more than 28%. This reduction was the result of more efficient practices, such as water reuse technologies, splash cones, and low-spray nozzles in our potato and corn lines.

To use water more efficiently in our Vallejo, Mexico plant, our local team implemented a new technology that reduces the amount of water needed to clean potatoes before cooking. By coupling this innovation with technologies like reverse osmosis, that purify water for reuse, we’ve been able to reuse 70% of the water needed for daily snack production.

Using water more efficiently is just one part of our sustainability journey in Mexico. In 2019, all the production plants in our Mexico Foods operation sent zero waste to landfill. In March 2016, our Mexico Foods business initiated a purchase agreement to source a large portion of its power via wind energy and, by 2019, 65% of the business’s power was wind-based.

Since 2015, we have reduced the water footprint in our Latin American food plants by an average of more than 28%. Technologies implemented at our Vallejo, Mexico snacks plant have enabled 70% water reuse.
GROWING BARLEY FOR IMPROVED REPLENISHMENT AND ECONOMIC IMPACT

PepsiCo partners with organizations like The Nature Conservancy (TNC) and World Wildlife Fund (WWF) to replenish local watersheds in areas where we operate. In 2019, we replenished more than 1.6 billion liters of water around the world through a variety of projects and partnerships.

In Camp Verde, Arizona, located in the Verde River Basin, PepsiCo and TNC are partnering to help local farmers implement more sustainable techniques, such as seasonal crop switching, that reduce the need for irrigation and support local economic development in the watershed.

Traditional summer crops grown in the Verde River Valley, such as alfalfa and corn, require significant water during the hot and dry summer growing season. In contrast, barley is harvested before the critical summer water-stress period. By working with farmers to switch from growing alfalfa and corn to malt barley, this program reduces the irrigation needs in the critical summer months when the Verde River is low, ultimately leaving more water in the river. The effort is estimated to have replenished 130 million liters of water in 2019.

This program also helped support the market for barley by creating a local malting facility, Sinagua Malt. Creating this local demand provides a profit incentive for farmers to sell barley and helps ensure that conversion to crop switching continues to grow. The malt barley can also be sold to craft breweries around the state and has potential value in other markets, which may further increase future demand.
## AGRICULTURE

**Goal**

Advance environmental, social, and economic benefits to communities around the world by supporting practices and technologies that promote improved farmer livelihoods and agricultural resiliency.

**Achieve 100% sustainably sourced potato, whole corn, oats, and oranges by 2020**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 Target</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of volume sustainably sourced and verified by a third party.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Achieve 100% sustainably sourced palm oil by 2020**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 Target</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of volume sustainably sourced and verified by a third party.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Achieve 100% sustainably sourced cane sugar by 2020**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 Target</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress based on volume of certified sustainable cane sugar meeting Bonsucro or equivalent standard.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Achieve sustainably sourced priority raw materials based on business needs by 2025**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020 Target</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of volume sustainably sourced and verified by a third party.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

1 “Sustainably sourced” refers to meeting the independently verified environmental, social, and economic principles of PepsiCo’s Sustainable Farming Program, enabling continuous improvement, best practices, and positive outcomes for farmers, communities, and the planet.

2 Data for this time period not available

3 Scope of goal was expanded in 2019 to include additional raw materials identified through a materiality assessment.

Our Sustainability Reporting Suite includes multiple resources available online that explain our approach to help build a more sustainable food system. This document reflects progress against our sustainability goals, as they were structured in 2019. For detail on how we measure performance against these goals, see the Calculation Methodology page on our ESG Topics A-Z.
### WATER

**Goal**
Drive water security to assure business continuity while positively contributing to communities.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve water-use efficiency by 15% in our agricultural supply chain (focused on corn and potatoes) in high water-risk areas by 2025¹</td>
<td>−²</td>
<td>−²</td>
<td>3%</td>
<td>−³</td>
<td>15%</td>
<td>High water-risk locations defined by WRI’s Aqueduct tool.</td>
</tr>
<tr>
<td>Improve operational water-use efficiency by 25% in high water-risk areas by 2025⁴</td>
<td>1%⁵</td>
<td>2%⁵</td>
<td>4%⁵</td>
<td>9%</td>
<td>25%</td>
<td>Between 2006–2015, water-use efficiency improved by 25.8% in all global legacy operations.</td>
</tr>
<tr>
<td>Replenish 100% of the water we use in manufacturing operations in high water-risk areas by 2025</td>
<td>9%⁶</td>
<td>11%⁶</td>
<td>8%⁶</td>
<td>10%</td>
<td>100%</td>
<td>Replenishment benefits claimed for local activities are capped at 100% to prevent overachieving projects from inflating global progress measurements.</td>
</tr>
</tbody>
</table>
| Adopt the Alliance for Water Stewardship Standard as our vehicle for water advocacy in high water-risk areas by 2025 | Our actions include:  
- Advocating for the adoption of smart water policies and regulations  
- Sharing information and best practices with water stakeholders  
- Supporting public education and training for consumers and communities | At the end of 2019, we had 3 high water-risk facilities in progress of adopting the Alliance for Water Stewardship Standard. | For more information, visit the Water page on our ESG Topics A-Z. |
| Deliver safe water access to 25 million people by 2025                | 11 million | 16 million | 22 million | 44 million | 25 million | Metric counts the cumulative number of people provided with access to safe water since 2006. |

¹ 15% improvement target measured versus a 2015 baseline  
² Data for this time period not available  
³ To focus efforts on implementing sustainable practices, we currently intend to collect and publish agricultural water-use efficiency data every three years  
⁴ 25% improvement target measured versus a 2015 baseline  
⁵ Prior period results for this metric have been adjusted to reflect calculations for high water-risk sites only  
⁶ Prior period results for this metric have been expanded to measure volume of water used in previous year, previously measured volume of water consumed
### Packaging

Fundamentally change the way the world interacts with our packaging to deliver our vision of a world where plastics need never become waste.

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Design 100% of packaging to be recyclable, compostable, or biodegradable by 2025</td>
<td>1⁻¹</td>
<td>87%²</td>
<td>88%²</td>
<td>88%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Increase recycled content in our plastics packaging to 25% by 2025</td>
<td>3⁻³</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Reduce 35% of virgin plastic content across our beverage portfolio by 2025</td>
<td>4⁻⁴</td>
<td>4⁻⁴</td>
<td>4⁻⁴</td>
<td>1%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Invest to increase recycling rates in key markets by 2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Our actions include:
- Educating and encouraging consumers to recycle
- Partnering to increase and improve recycling infrastructure and building solutions for current and future material streams

Further information on partnerships, including with The Recycling Partnership, the Alliance to End Plastic Waste, and Circulate Capital, are detailed on the Packaging page of our ESG Topics A-Z.

1 All data for this time period is not available
2 Prior period results for this metric have been adjusted to reflect enhanced calculation methodology and data availability
3 Target established in 2017
4 Target established in 2019
## Products

### Reduce added sugars, sodium, and saturated fats.

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>≥ 67% of beverage portfolio volume will have ≤100 Calories from added sugars per 12oz. serving by 2025</td>
<td>40%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>40%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>44%&lt;sup&gt;3&lt;/sup&gt;</td>
<td>47%&lt;sup&gt;4&lt;/sup&gt;</td>
<td>67%</td>
<td>Our global progress is based on our Top 26 Beverage markets, which represent 79% of our global beverage volume as of 2019.</td>
</tr>
<tr>
<td>≥ 75% of foods portfolio volume will not exceed 1.3 milligrams of sodium per Calorie by 2025</td>
<td>54%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>56%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>58%&lt;sup&gt;3&lt;/sup&gt;</td>
<td>61%</td>
<td>75%</td>
<td>Our global progress is based on our Top 23 Foods markets, which represent 90% of our global foods volume as of 2019.</td>
</tr>
<tr>
<td>≥ 75% of foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories by 2025</td>
<td>66%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>61%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>61%&lt;sup&gt;3&lt;/sup&gt;</td>
<td>62%</td>
<td>75%</td>
<td>Our global progress is based on our Top 23 Foods markets, which represent 90% of our global foods volume as of 2019.</td>
</tr>
</tbody>
</table>

1 Represents Top 10 markets. Top 10 markets represent 63% of beverages volume and 79% of foods volume as of 2016.
2 As of 2017, Top 26 Beverage markets represent 80% of our global beverages volume and Top 23 Foods markets represent 90% of our global foods volume.
3 As of 2018, Top 26 Beverage markets represent 80% of our global beverages volume and Top 23 Foods markets represent 89% of our global foods volume.
4 2019 results reflect the inclusion of the SodaStream portfolio.
<table>
<thead>
<tr>
<th>Goal</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2030 Target</th>
<th>2019 Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate</td>
<td>Do our part to curb climate change by reducing greenhouse gas (GHG) emissions across our value chain.</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1 &amp; 2: Reduce absolute greenhouse gas (GHG) emissions by at least 20% by 2030</td>
<td>1%</td>
<td>2%</td>
<td>7%</td>
<td>9%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Scope 3: Reduce absolute greenhouse gas (GHG) emissions by at least 20% by 2030</td>
<td>–2</td>
<td>–2</td>
<td>3%</td>
<td>5%3</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Total Emissions: Reduce absolute greenhouse gas (GHG) emissions by at least 20% by 2030</td>
<td>–2</td>
<td>–2</td>
<td>3%</td>
<td>6%3</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

1 20% improvement target measured versus a 2015 baseline
2 All data for this time period is not available
3 Beginning in 2019, we enhanced our calculation methodology. For baseline years 2015 and 2018, data has been recalculated utilizing this enhanced methodology. Where 2019 transport data was not available, we used 2018 data as a proxy.
## PEOPLE

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<tr>
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</thead>
<tbody>
<tr>
<td><strong>Human Rights</strong>&lt;br&gt;Advance respect for human rights by using PepsiCo's capabilities and scale.</td>
<td></td>
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<tr>
<td>Drive fair and safe working conditions throughout our value chain by addressing our most salient human rights issues</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Our actions include:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Please see our 2019 Human Rights Report for detailed information on our approach, ongoing initiatives, and progress in addressing our salient human rights issues.</td>
</tr>
<tr>
<td>• Embedding respect for human rights throughout our business and value chain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Conducting ongoing due diligence</td>
<td></td>
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<td></td>
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<tr>
<td>• Engaging with our stakeholders and driving collaborative action</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Providing effective grievance mechanisms and access to remedy</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Extend the principles of our Supplier Code of Conduct to all of our franchisees and joint ventures by 2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Please see the Policy Framework Section of our 2019 Human Rights Report for detailed information on our work to extend the principles of our Supplier Code of Conduct to our franchisee and joint ventures.</td>
</tr>
<tr>
<td>Our actions include:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Establishing a formal program to engage our franchisees and joint ventures</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Engaging our franchisees and joint ventures on our human rights agenda</td>
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<tr>
<td><strong>Diversity</strong>&lt;br&gt;Promote a diverse and inclusive workplace.</td>
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</tr>
<tr>
<td>Achieve gender parity by 2025 in management roles</td>
<td>38%</td>
<td>39%</td>
<td>40%</td>
<td>41%</td>
<td>50%</td>
<td>% of women in management roles.</td>
</tr>
<tr>
<td>Sustain our pay equity program</td>
<td>Women and men are paid within 1% of each other (base compensation)(^1)</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>U.S. and U.K. included in 2016 analysis. 21 countries included in 2017 analysis. 33 countries included in 2018 analysis. 69 countries included in 2019 analysis, representing 99% of salaried population.</td>
</tr>
<tr>
<td><strong>Prosperity</strong>&lt;br&gt;Increase the earnings potential of women to drive economic growth and increase food security.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invest $100 million by 2025 to provide 12.5 million women with essential resources for workforce readiness and in programs that empower women in the food system and farming</td>
<td>$6.7 million</td>
<td>$14.3 million</td>
<td>$27.3 million</td>
<td>$38.5 million</td>
<td>$100 million</td>
<td>Cumulative investments. These are funded by both PepsiCo and the PepsiCo Foundation.</td>
</tr>
</tbody>
</table>

\(^1\) After controlling for legitimate drivers of pay; analysis excludes frontline

Organizational changes (e.g. acquisitions, mergers, divestitures) are evaluated to determine if they have a statistically significant impact to sustainability metric performance. As data becomes available, all reported years for impacted metrics are recast to consistently reflect organizational changes.